



Trade Makes Alabama Strong

Alabama gains from global trade. Trade (export and import) growth increases jobs by advancing Alabama’s manufacturers, services providers and farmers. Imports also keep costs low, helping Alabama businesses compete and saving Alabama families real dollars at the cash register. Foreign investment in Alabama creates good jobs across a range of sectors.

TRADE CREATES JOBS FOR ALABAMANS

Trade with the world – both exports and imports of goods and services – creates jobs in Alabama.

- Today, trade supports **428,486 jobs** in Alabama, or **17.5 percent of total jobs**, up from only 9.3 percent in 1992.
- As trade in Alabama has grown, unemployment has fallen. Alabama’s unemployment rate - **4.0 percent** – is below the national average.

Alabama’s Three Most Export-Intensive Industries

<u>Industry</u>	<u>%Export-Related</u>
Transport. Equip.	33.3%
Chemicals	20.9
Textile Mills	17.2

- Imports and exports moving through Alabama’s **ports** generated \$3 billion statewide and employed 118,000 workers in 1997.

Trade particularly benefits employees of Alabama’s small- and mid-size companies.

- In 2004, more than **3,035 Alabama companies** sold their products abroad; 2,369 exporters – **78.1 percent** – were **small- or mid-sized companies**.
- **Jobs in exporting plants pay on average up to 18 percent more** than similar jobs in non-exporting plants.

TEN WAYS TRADE MAKES ALABAMA STRONG

Trade supports nearly one in five Alabama jobs.

Since 2002, Alabama’s exports have increased twice as fast as its GDP.

Jobs at exporting plants pay 18% more than at non-exporting plants.

7% of Alabama’s gross domestic product was from exports in 2005.

Foreign-owned companies employ 70,000 Alabamans.

Foreign-owned firms pay workers 32% more.

The Honda plant in Lincoln generates \$4.5 billion annually for the state economy; its workers earn 57% more than the state average.

Alabama’s ports contribute \$3 billion to the state economy.

Half of imports are raw materials and other manufacturing inputs.

Import prices grow much slower than overall consumer prices saving money for Alabama consumers.

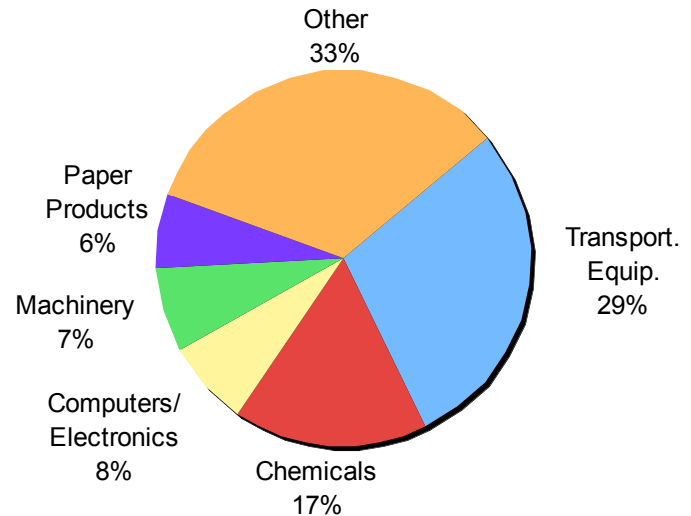
ALABAMA'S FARMERS AND KEY INDUSTRIES GROW WITH EXPORTS

Alabama's farmers exported more than **\$500 million** worth of agricultural products in 2005 and ranked among the **top 10 state exporters** of **cottonseed, cotton and linters products, poultry, and peanuts.**

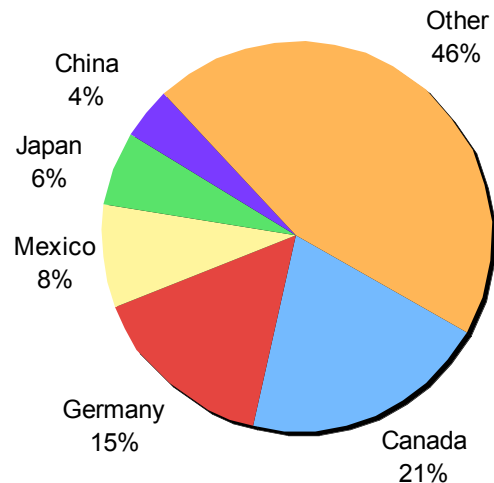
According to the U.S. Department of Commerce, Alabama ranked 24th in the United States with **total exports valued at \$10.8 billion** in 2005.

- **Transportation equipment** is Alabama's leading export product, accounting for 29 percent of total exports in 2005.
- One of the fastest growing exports for Alabama is **machinery**, which grew at an annual rate of 27.7 percent between 2000 and 2005.
- In 2005, Alabama companies sold their products in nearly **180 countries.**
- The top export market is **Canada** (\$2.2 billion). Other leading markets include **Germany** (\$1.6 billion) and **Mexico** (\$913 million).
- **Colombia** is one of Alabama's fastest growing trading partners. In 2005, Alabama companies exported \$249 million worth of goods to Colombia, an increase of 621 percent since 2000.
- In 2005, exports represented **7.1 percent of Alabama's state GDP.**
- Alabama's share of exports to state GDP ranked 14 among all states in 2005.
- Since 2002, exports have increased more than **two times faster** than Alabama's GDP.

Leading Export Products



Leading Export Markets



“Alabama is experiencing an economic renewal that is creating record numbers of new jobs throughout the state. One of the reasons our economy is thriving right now is because of the outstanding performance of Alabama companies when it comes to exporting their goods and services overseas.”

“Every dollar of increased exports from our state to other nations creates and sustains new jobs in Alabama. That is why my administration has made increasing our exports a priority.”
 - Governor Bob Riley, 2006 Governor's Trade Excellence Awards

ALABAMA WORKERS & BUSINESSES BENEFIT FROM FOREIGN INVESTMENT

Foreign-owned companies invest significant amounts of capital to open or expand facilities in Alabama every year, infusing both money into the local economy and keeping unemployment low.

- These companies employ **more than 70,600 workers**, nearly 4 percent of all Alabama employees, **ranking it 25th** in the nation in “insourced” workers.
- **Manufacturing** accounts for **31,700 insourced jobs**, representing 45 percent of all insourced jobs in Alabama.
- U.S. subsidiaries of **foreign companies pay** an average compensation of \$63,428 per year, **32 percent higher** than U.S. companies.

According to a 2006 economic impact study, the Honda plant in Lincoln, Alabama boosts the state economy by \$4.5 billion annually, or three percent of total state GDP.

The plant is responsible for the creation of 45,000 jobs, including 4,600 plant employees and more than 40,000 that work for suppliers, vendors or other jobs indirectly tied to the plant.

In 2005, the average salary for plant workers was \$54,443, 57 percent higher than Alabama’s average wage.

Selected Corporations with Operations in Alabama

<u>Company</u>	<u>Industry</u>	<u>Country</u>
Akzo Nobel	Pharmaceuticals	Netherlands
DaimlerChrysler	Transportation Equipment	Germany
Hyundai	Transportation Equipment	Japan
Siemens	Electronics	Germany
Michelin	Rubber Products	France
BAE Systems	Aerospace/Defense	United Kingdom
Honda	Transportation Equipment	Japan
Lafarge North America	Building Materials	France

Recognizing the importance of trade and foreign investment, the Alabama Development Office (ADO) plays an active part in expanding Alabama’s role in the global economy. In 2006 alone, the ADO:

- *Led trade missions to Central America, China, Germany and the Czech Republic.*
- *Hosted a trade mission from Guatemala to increase commercial ties between the two countries.*
- *Held educational sessions on how Alabama companies can take advantage of implemented and potential free trade agreements, including DR-CAFTA and the U.S.-Korea FTA.*
- *Sponsored an “International Policy Bootcamp” to provide state and local opinion leaders with a basic understanding of trade (and other international issues) and build support for future free trade agreements.*

ALABAMA MANUFACTURERS NEED IMPORTS TO BE COMPETITIVE

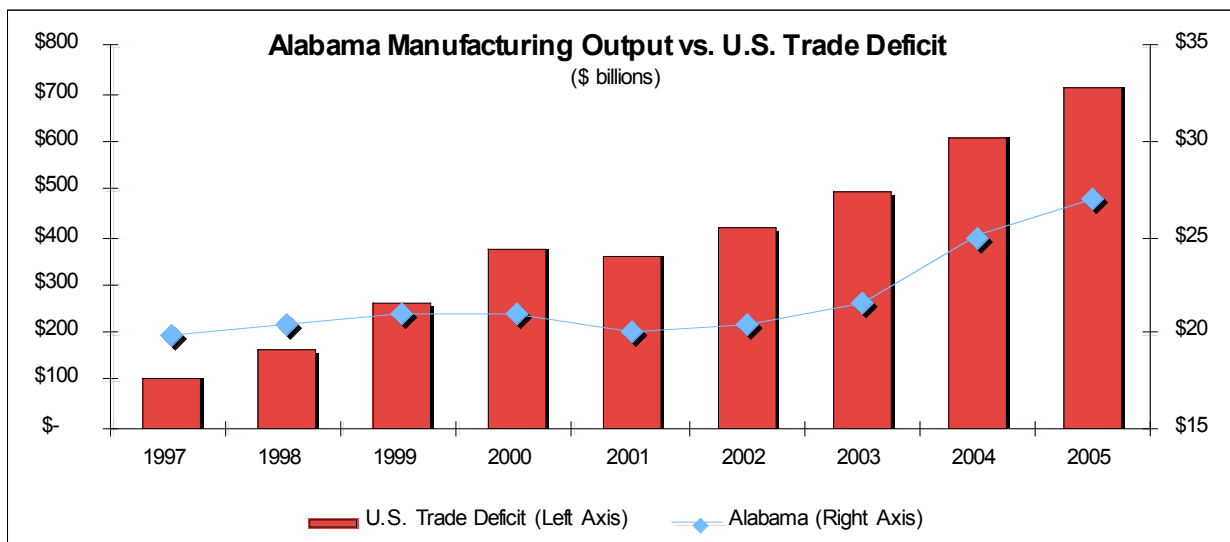
Raw materials, capital goods and industrial products used to manufacture goods in the United States account for approximately half of the total U.S. merchandise imports.

- Virtually every Alabama manufacturing sector benefits from imports.
- Alabama's **paper producers** use imported **woodpulp**. Automotive and other **heavy equipment manufacturers** use imported **aluminum** and **steel**. **Wood product manufacturers** use imported **lumber** to produce goods for the domestic market.

Capital Goods Imports Benefiting Alabama's Manufacturers

Product	Price Change, 1996-2005
All Capital Goods	-23.4%
Electric Generators and Parts	-6.4%
Non-Electrical Machinery, (excl. Computers)	-9.4%
Business Machinery (excl. Computers)	-12.4%
Computers	-50.2%

Alabama experienced some of its strongest growth during periods when imports contributed to increasing national trade deficits.



ALABAMA'S SERVICES INDUSTRIES BENEFIT FROM IMPORT-DRIVEN DEMAND

Numerous **services industries** benefit from business generated by imported goods, particularly at Alabama's ports, which directly or indirectly employ 118,000 Alabamans.

- **Professional services**, including finance, insurance, marketing, and legal services, are needed to market imported products. These industries are vital to Alabama's growth, and account for **14.3 percent of Alabama GDP**.
- Imports comprise a significant portion of Alabama **transportation and product sales** (both wholesale and retail). These industries account for 16.5 percent of Alabama GDP.

<http://trade.businessroundtable.org>

ALABAMA FAMILIES ENJOY A HIGHER STANDARD OF LIVING BECAUSE OF IMPORTS

Imports help keep prices for Alabama families down while increasing their choices for goods and services.

- Trade helps **keep inflation in check**. Prices for widely traded consumer goods tend to rise less than prices for non-traded goods.
- Trade and investment liberalization policies are **worth over \$10,000 per year** to an average Alabama family of four.
- Between 1990 and 2004, U.S. import prices grew at about a quarter of the rate of growth of overall consumer prices (0.6 percent per year, vs. 2.2 percent per year).

Trade and Low Inflation: Price Changes (1997-2004)

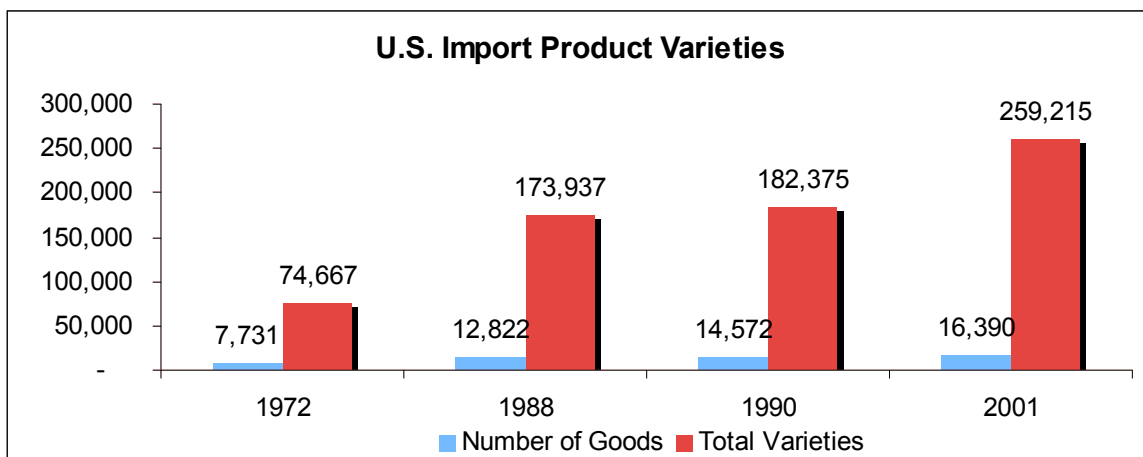
<u>Traded Goods</u>	<u>Price Change</u>
Toys	-36%
Household Appliances	-15%
Clothing	-11%
Footwear	-6%
<u>Non-Traded Goods</u>	
Milk	24%
Margarine	22%
Ice Cream	17%
Sugar	9%

The lower costs resulting from trade mean **more purchasing power** for Alabama consumers, which is particularly important for lower-income families.

- In 2005, 155,000 families in Alabama were at or below the national poverty level (about \$20,000 per year for a family of four).
- Lower income families spend nearly three times as much on footwear and 50 percent more on apparel than upper income families spend, both goods that are largely traded.

Consumer choice increases with trade.

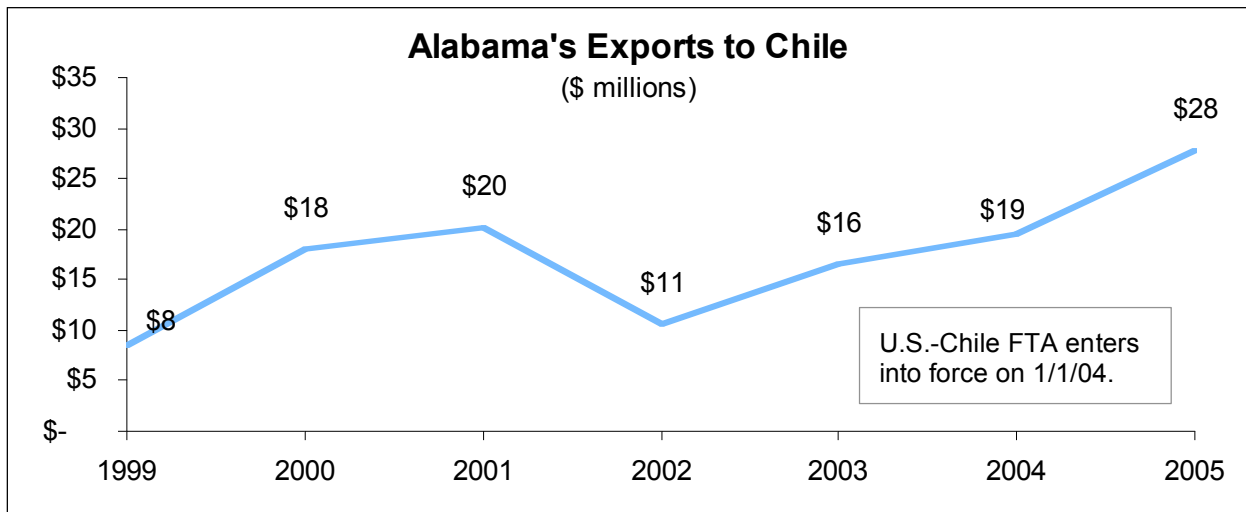
- Trade allows consumers to enjoy products with limited U.S. production (e.g., coffee) as well as out-of-season goods (e.g., strawberries in January).
- The number of product varieties imported by the United States increased fourfold over the last three decades.



MORE OF A GOOD THING FOR ALABAMA – LEVELING THE TRADE PLAYING FIELD

The United States has some of the lowest trade barriers in the world. Free trade agreements level the playing field by lowering other nations' trade barriers and opening up foreign markets to U.S. exports.

- Since the **North American Free Trade Agreement** went into effect in 1994, Alabama's exports to Canada have increased \$1.4 billion (191 percent), while exports to Mexico have increased \$725 million (386 percent).
- In 2001, a recession year, Alabama's total trade with **Canada** generated \$1.9 billion for Alabama's economy and supported 71,523 jobs.
- Similarly, the **U.S.-Chile Free Trade Agreement**, which went into effect on January 1, 2004, has had a significant effect on export growth from Alabama to Chile.



SOURCES

JOBS

Laura Baughman and Joseph Francois (<http://www.businessroundtable.org>)
U.S. Department of Labor (<http://www.bls.gov/lau/home.htm>)
U.S. Department of Commerce (<http://ita.doc.gov/td/industry/otea/jobs/index.html>),
(<http://ita.doc.gov/td/industry/otea/edb/index.html>)
Alabama State Port Authority (<http://www.asdd.com/Asd/portfacts.htm>)

EXPORTS

U.S. Department of Agriculture
(www.ers.usda.gov/publications/fau/june06/fau11401f/fau11401.pdf)
U.S. Department of Commerce (<http://tse.export.gov>),
(<http://ita.doc.gov/td/industry/otea/edb/index.html>), (<http://www.bea.gov/bea/regional/gsp/>)
Alabama Office of the Governor
(http://www.alabamainteractive.org/alabamainteractive_shell/Welcome.do?url=http://www.governor.state.al.us/)

FOREIGN INVESTMENT

Organization for International Investment (<http://www.ofii.org>)
The Birmingham News, "Honda boosts state economy \$4.5 billion," 14 November 2006.
Export Alabama (<http://www.ado.state.al.us/2006%20AI%20Trade%20Strategy.pdf>)

IMPORTS

U.S. Department of Labor (<http://www.bls.gov/mxp/home.htm>)
U.S. Department of Commerce (<http://www.bea.gov/bea/regional/gsp/>)
Alabama State Port Authority (<http://www.asdd.com/Asd/portfacts.htm>)

STANDARD OF LIVING

Council of Economic Advisers (<http://www.gpoaccess.gov/eop/index.html>)
U.S. Department of Labor (<http://www.bls.gov/cpi/home.htm>),
(<http://www.bls.gov/cex/home.htm>)
U.S. Department of Commerce (<http://www.bea.gov/>)
U.S. Census Bureau (<http://www.census.gov/hhes/www/poverty/poverty.html>)
Christian Broda and David Weinstein (http://www.ny.frb.org/research/staff_reports/sr180.html)

TRADE LIBERALIZATION

U.S. Department of Commerce (<http://tse.export.gov>)
Joseph Francois and Laura Baughman
(http://tradepartnership.com/pdf_files/2004_Canada_Jobs.pdf)

Contact: Brigitte Schmidt Gwyn
Director, International Trade & Fiscal Policy
Business Roundtable
202.496.3263
bgwyn@businessroundtable.org



Business Roundtable

<http://trade.businessroundtable.org>